



Parity

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Chicago Federal Reserve
Detroit, MI

Parity is Now

- Parity was promised by UAW in the 2009 contract modifications at GM and Chrysler. The judges took note . . .
- *De Facto* parity already exists in 2010 on U.S. hourly labor costs between internationals and Detroit 3.
- Future hiring of significant 2nd tier workers and re-sizing of skilled trades will result in a Detroit 3 labor cost advantage versus the internationals.
- Current leadership of UAW “saved” the base of the union in 2006-2009 – the next leadership will grow the union.
- Detroit 3 and the UAW (1,000s) negotiated continuously, non-stop, for 5 years (2005-2009) to accomplish parity and preserve the core of Detroit.

December 19, 2008

Restructuring Targets

In addition to the Restructuring Plan, the Company and its subsidiaries shall use their best efforts to achieve the following targets:

Reduction of the total amount of compensation, including wages and benefits, paid to their U.S. employees so that, by no later than December 31, 2009, the average of such total amount per hour and per person, is an amount that is equal to the average total amount of such compensation, as certified by the Secretary of Labor, paid per hour and per person to employees of with Nissan Motor Company, Toyota Motor Corporation, or American Honda Motor Company whose site of employment is in the United States (the “**Compensation Reductions**”);

Elimination of the payment of any compensation or benefits to U.S. employees of the Company or any subsidiary who have been fired, laid-off, furloughed, or idled, other than customary severance pay (the “**Severance Rationalization**”).

Application of the work rules to their U.S. employees, beginning not later than December 31, 2009, in a manner that is competitive with Nissan Motor Company, Toyota Motor Corporation, or American Honda Motor Company whose site of employment is in the United States (the “**Work Rule Modifications**” and, together with the Compensation Reductions and Severance Rationalization, the “**Labor Modifications**”); and

**MEMORANDUM OF UNDERSTANDING
RE: BINDING ARBITRATION**

May 16, 2009

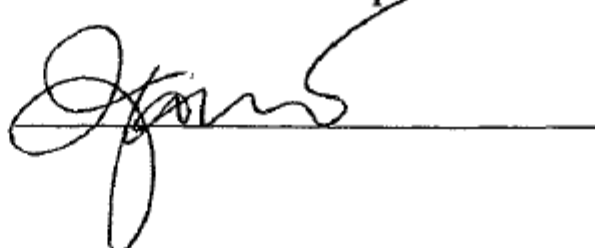
Upon expiration of the 2007 Agreement, the parties will enter into a new National Collective Bargaining Agreement which will continue in full force and effect until September 14, 2015. Unresolved issues remaining at the end of negotiations on the 2011 renewal of the 2007 Agreement shall be resolved through binding arbitration with wage and benefit improvements to be based upon General Motors maintaining an all-in hourly labor cost comparable to its U.S. competitors, including transplant automotive manufacturers.

For the International Union, UAW:



A handwritten signature in cursive script, appearing to read "Harry Bernstein", written over a horizontal line.

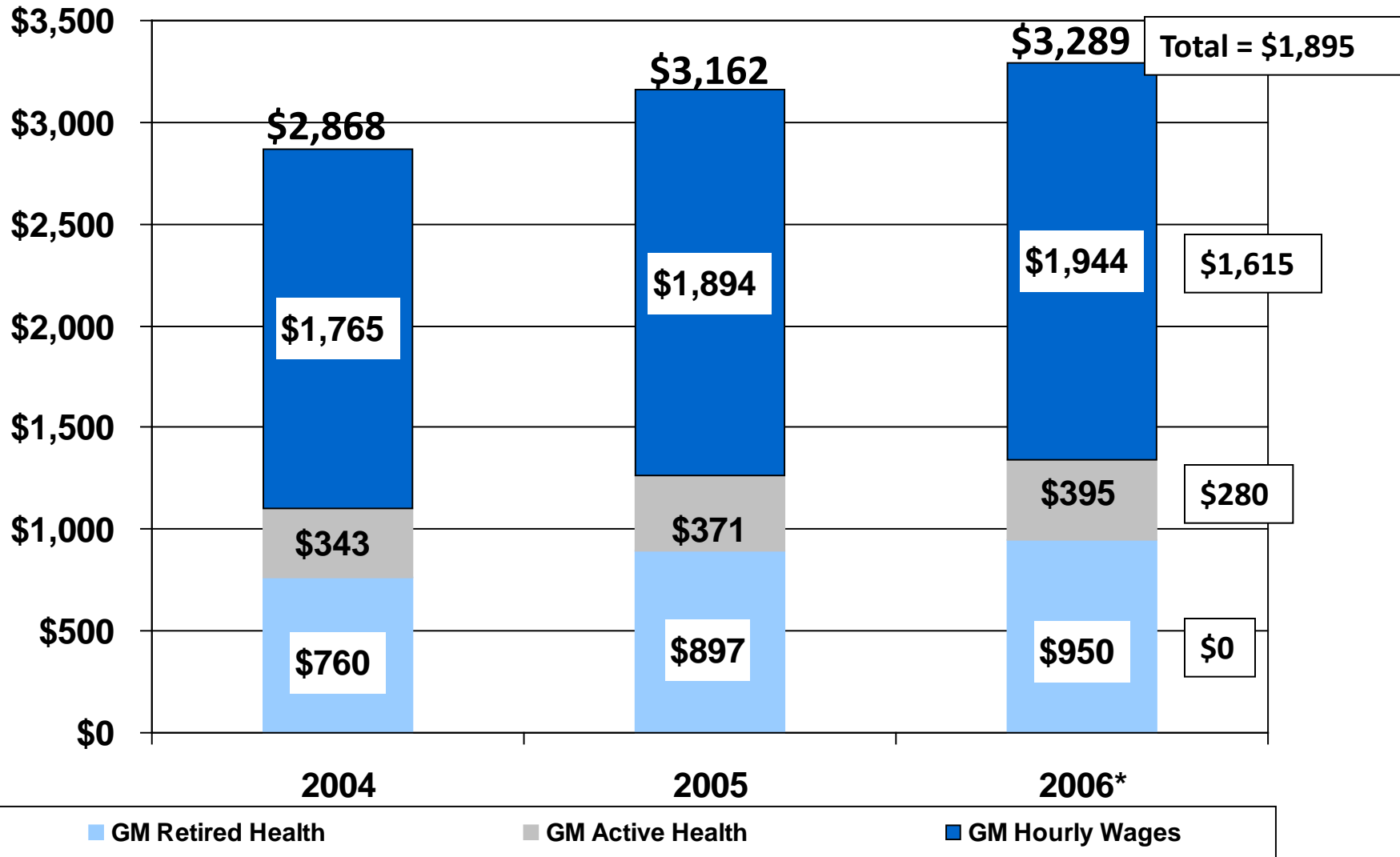
For General Motors Corporation:



A handwritten signature in cursive script, written over a horizontal line.

Had to Improve!: GM Cost per North American Vehicle Produced 2004-2006*

Toyota N.A.

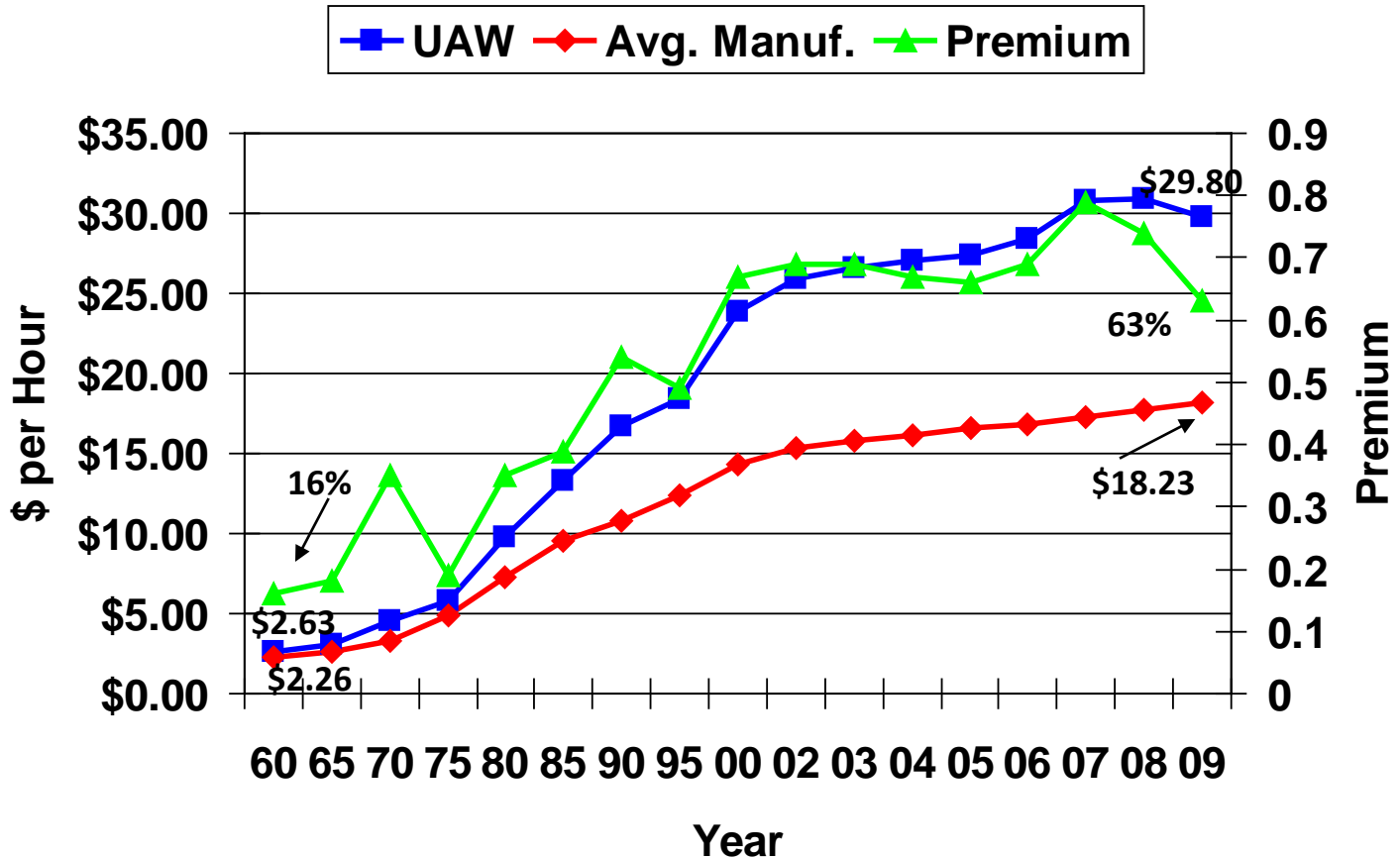


Source: Company 10Ks or Annual Reports, CAR Research

*Estimated From Currently Available Data

The UAW Wage Rate* and its Premium 1960-2009

2010 average wage* for 7 International Automakers = \$26.76/hr.
 Covers 57,948 hourly workers in U.S. (10.2% less than 2009-UAW)



*Includes Skilled Trades

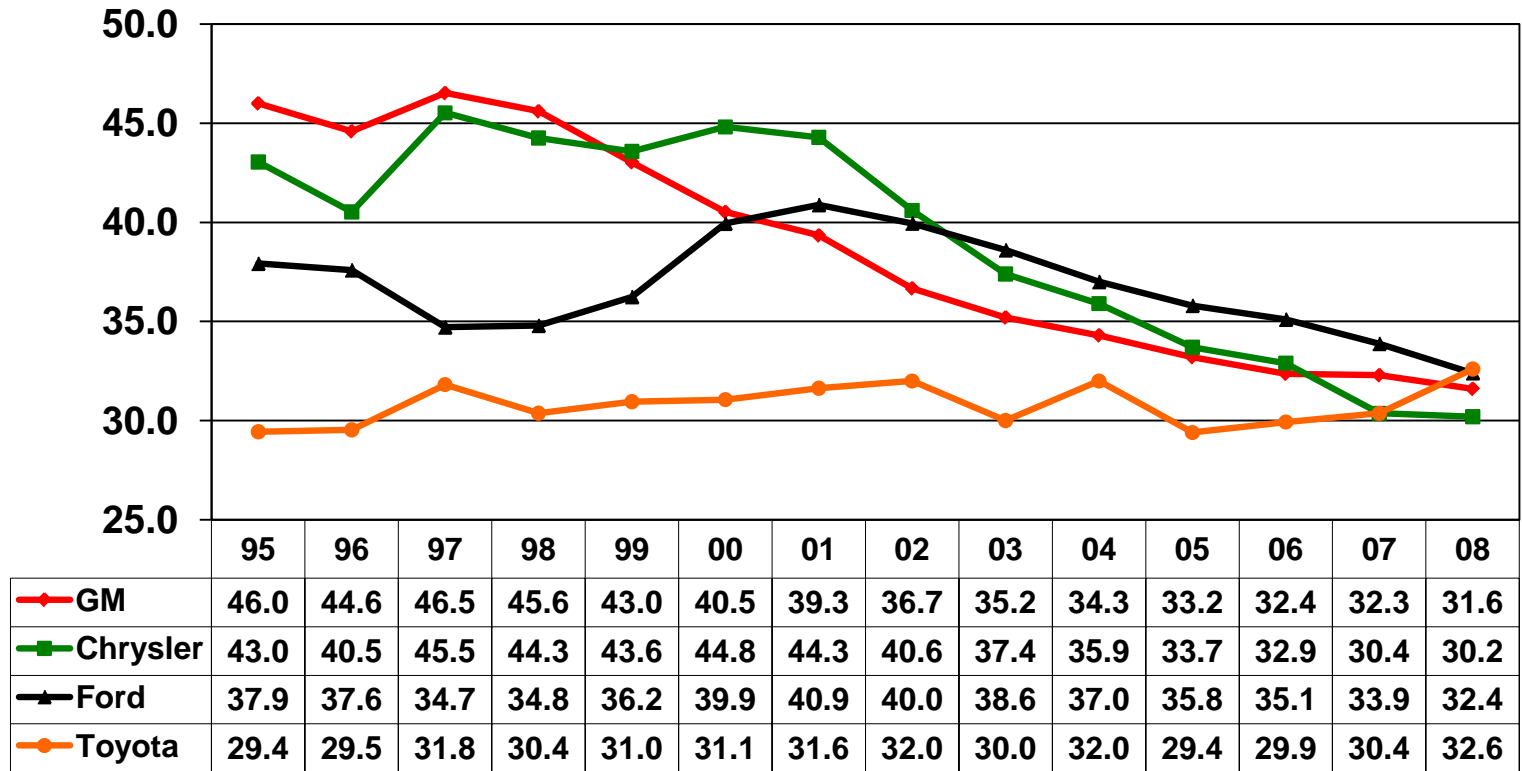
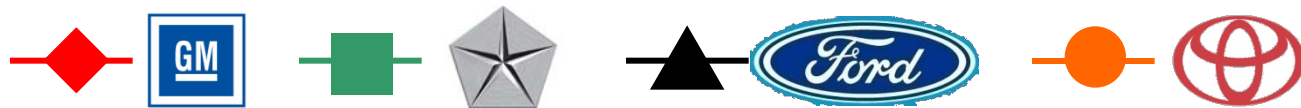
However,

In 2008, There was Parity for Hourly Workers . . .

2008	Hourly Empl.	Avg. Compensation	Salary Empl.	Average Compensation
Domestic 3	130283	\$ 69,368	71738	\$ 122,963
High Internationals	40350	\$ 70,185	18459	\$ 81,506

Note: “High Internationals employed 40,350 of 57,948 (69.6%) international automaker hourly workers. Companies reported total 2008 cash compensation for these employees in recent CAR Economic Contribution study in 2010. Toyota-Japan labor cost for production workers in 2009 averaged \$69,000+ (Bloomberg). Higher now . . .

No Significant Difference? Harbour's Overall Productivity Estimates: (Strategic Operations) 1995-2008



Source: Harbour Reports, 1996-2009

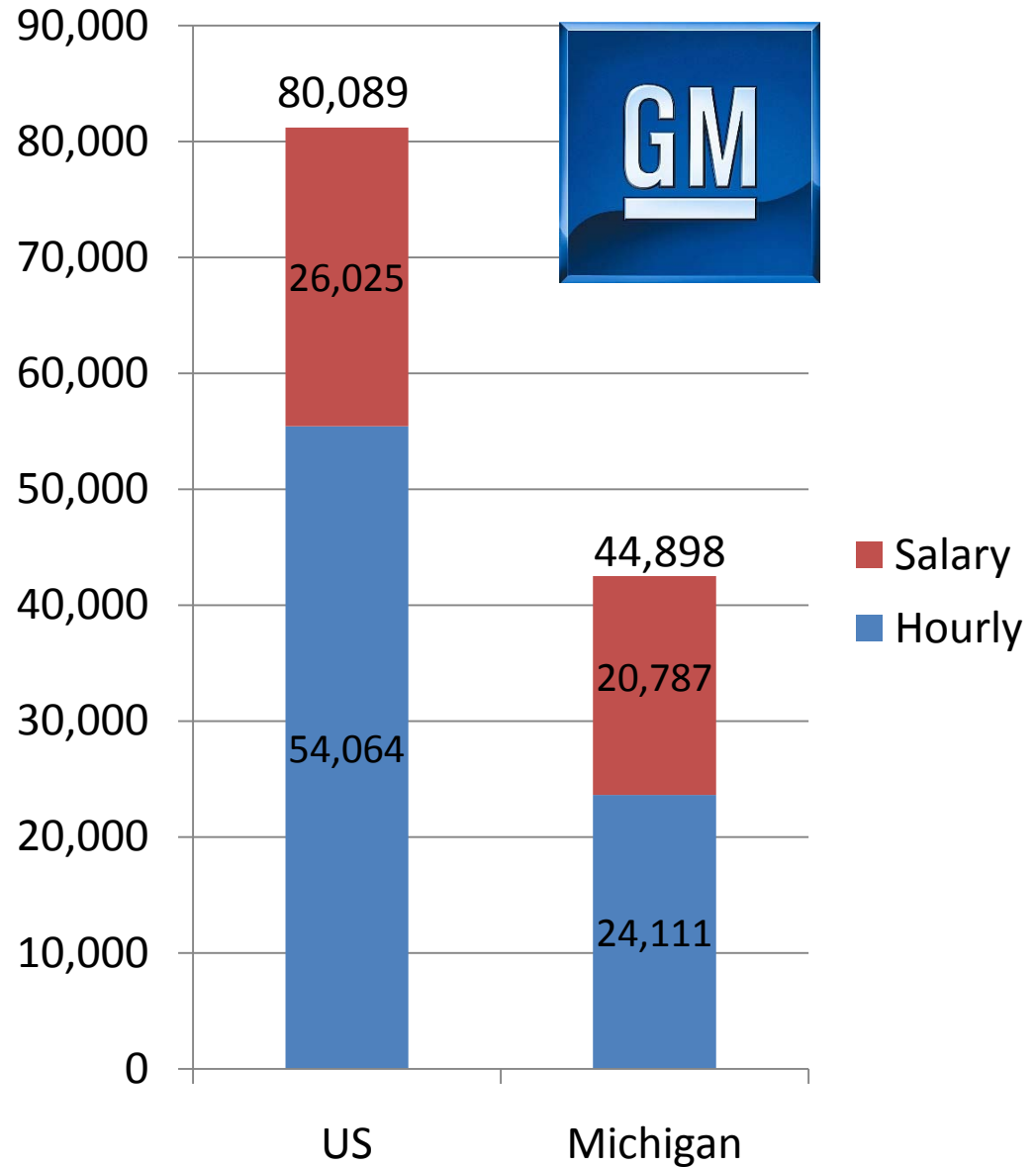
GM Employment Totals March 2010

U.S. and Michigan hourly numbers include layoffs and “other categories.”
Total US Employment of 80,089 showed a 9% decline from 2008.

In the US, Hourly Employment fell 7% between 2008 and 2010, and Salaried Employment dropped 11%.

In 2010...

- Michigan represented 56% of GM’s US Employment
- Michigan represented 45% of GM’s US Hourly Employment and 80% of GM’s US Salaried Employment



Source: CAR Research, Company Data

Chrysler Employment Totals

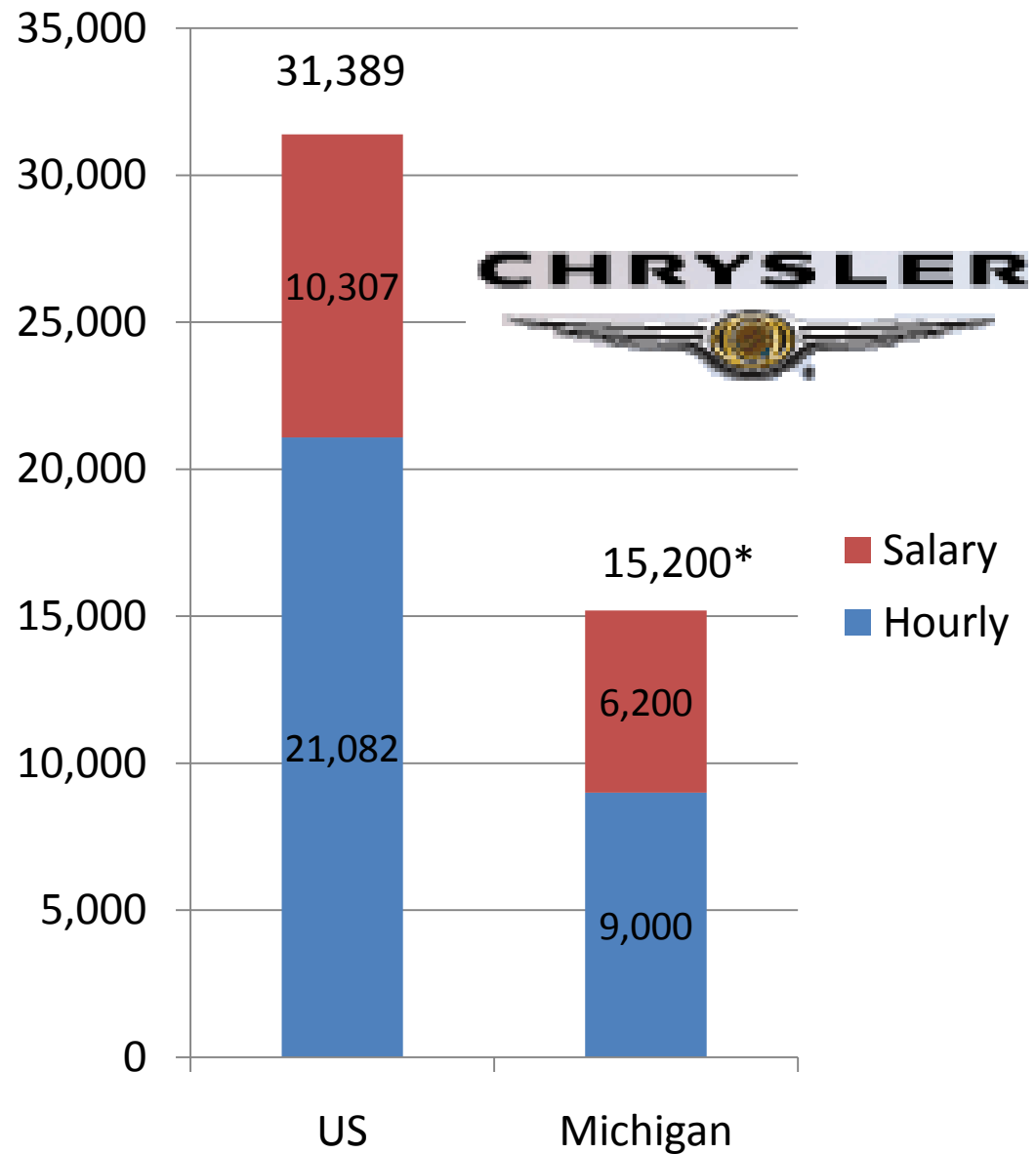
June 30 2009

Total US Employment seems to include current layoffs and perhaps other "categories." Michigan employment is a CAR estimate.

In 2009...

- Michigan represented 48% of Ford's US Employment
- Michigan represented 43% of Chrysler's US Hourly Employment and 69% Chrysler's US Salaried Employment

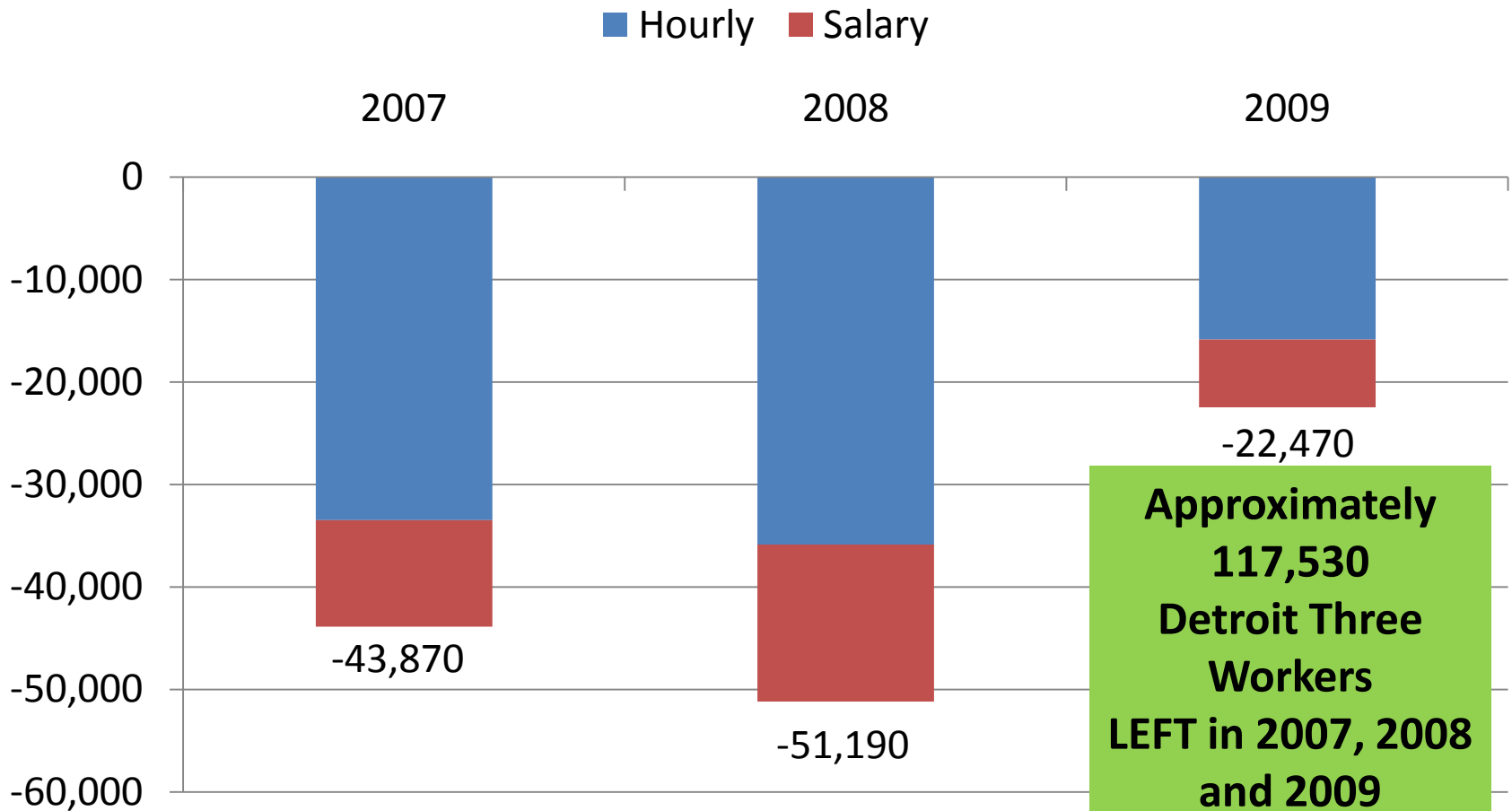
*CAR estimate



Source: CAR Research, Company Data

The Big Leave...They All Left! (mostly)

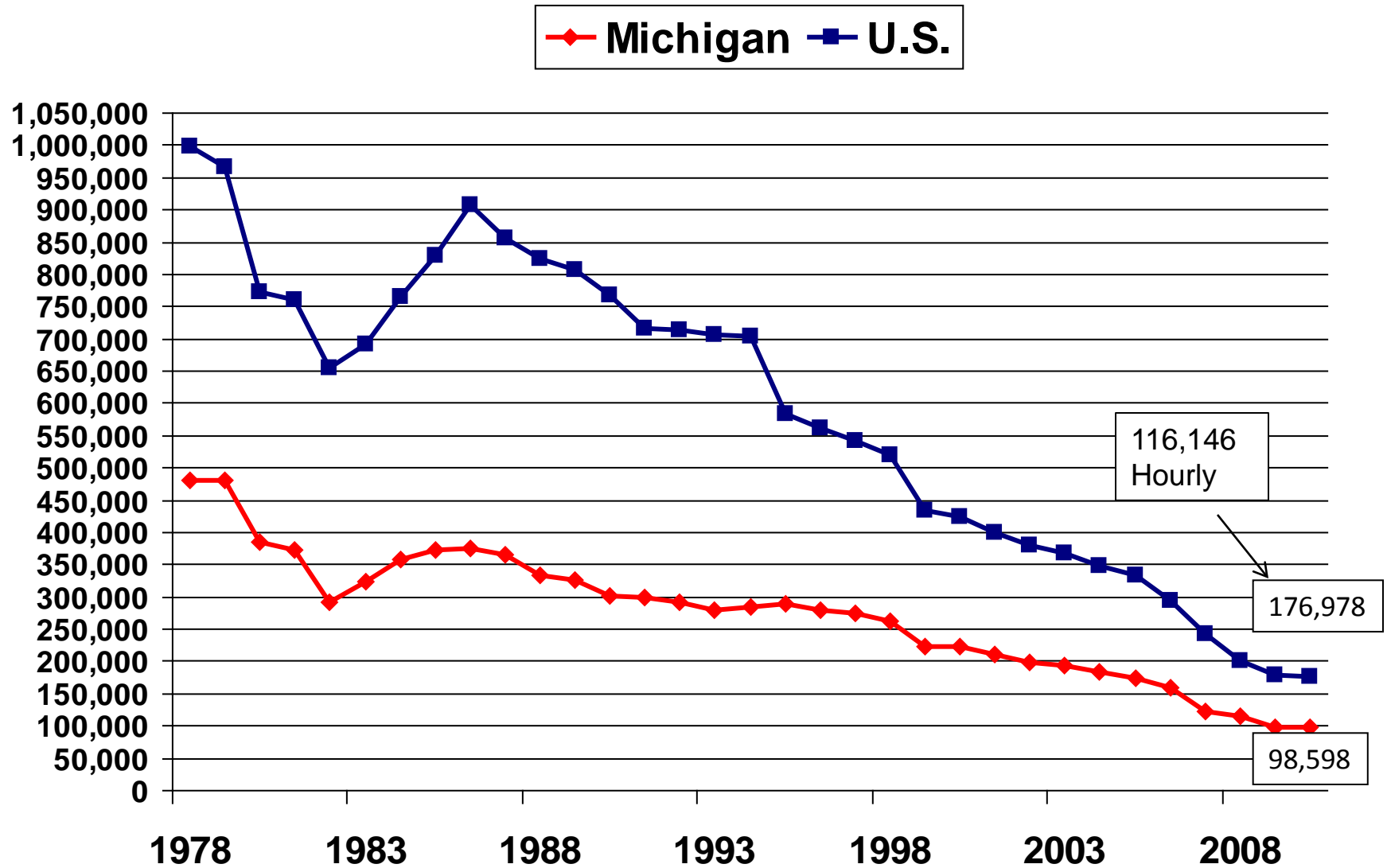
Detroit Three Attrition 2007-2009



Source: Company Data, CAR Research

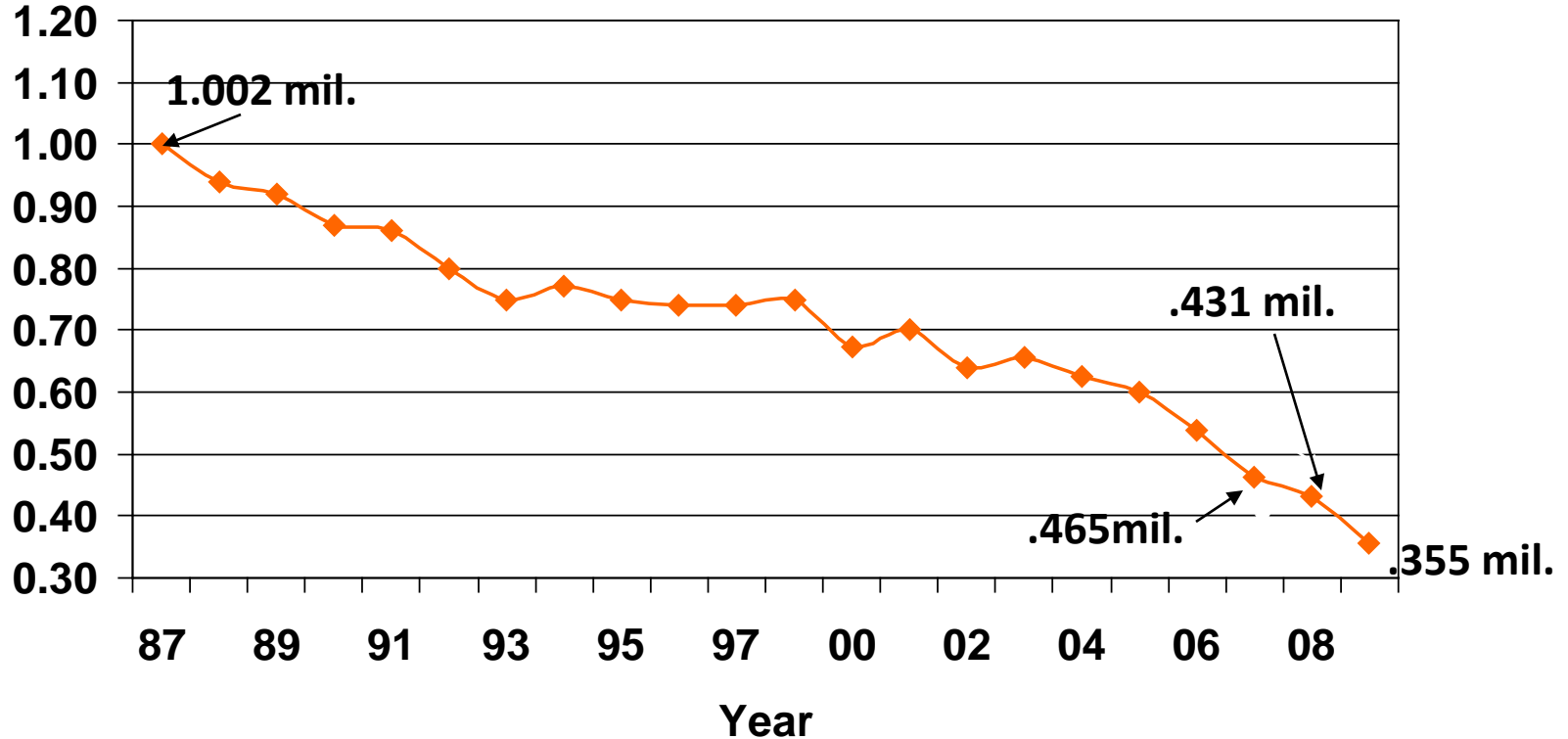
**Approximately
117,530
Detroit Three
Workers
LEFT in 2007, 2008
and 2009
Compared to 2006
Employment of
295,600**

Detroit Three Employment: 1978 – 2010



At Rock Bottom – It Will Rise

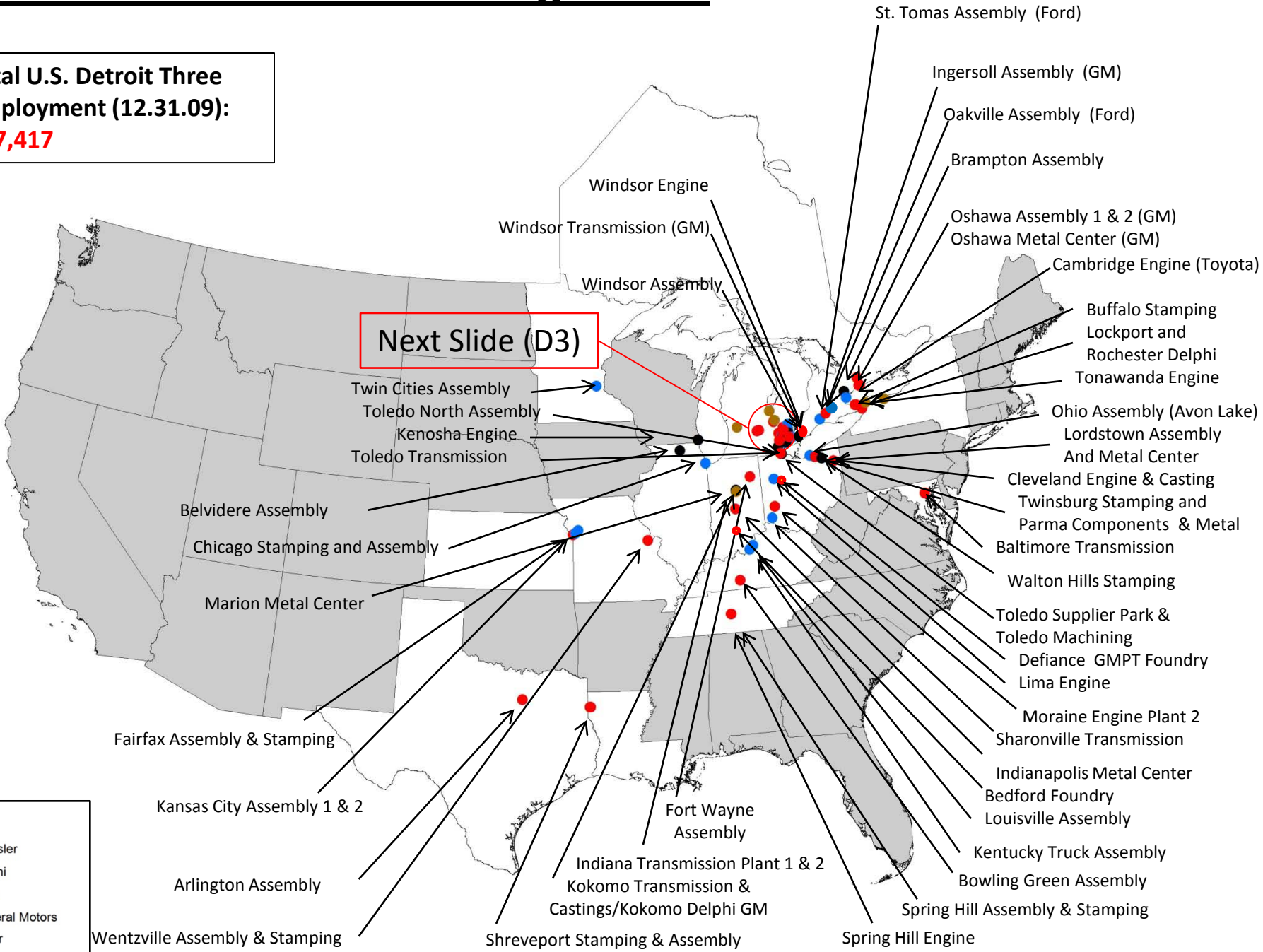
UAW Actively Working Membership: 1979 – 2010



Detroit Three Manufacturing Plants

**Total U.S. Detroit Three
Employment (12.31.09):
177,417**

Next Slide (D3)



Legend

- Chrysler
- Delphi
- Ford
- General Motors
- Other

- St. Thomas Assembly (Ford)
- Ingersoll Assembly (GM)
- Oakville Assembly (Ford)
- Brampton Assembly
- Oshawa Assembly 1 & 2 (GM)
- Oshawa Metal Center (GM)
- Cambridge Engine (Toyota)
- Buffalo Stamping
- Lockport and Rochester Delphi
- Tonawanda Engine
- Ohio Assembly (Avon Lake)
- Lordstown Assembly
- And Metal Center
- Cleveland Engine & Casting
- Twinsburg Stamping and Parma Components & Metal
- Baltimore Transmission
- Walton Hills Stamping
- Toledo Supplier Park & Toledo Machining
- Defiance GMPT Foundry
- Lima Engine
- Moraine Engine Plant 2
- Sharonville Transmission
- Indianapolis Metal Center
- Bedford Foundry
- Louisville Assembly
- Kentucky Truck Assembly
- Bowling Green Assembly
- Spring Hill Assembly & Stamping
- Spring Hill Engine

- Windsor Engine
- Windsor Transmission (GM)
- Windsor Assembly

- Twin Cities Assembly
- Toledo North Assembly
- Kenosha Engine
- Toledo Transmission

- Belvidere Assembly
- Chicago Stamping and Assembly
- Marion Metal Center

Fairfax Assembly & Stamping

Kansas City Assembly 1 & 2

Arlington Assembly

Wentzville Assembly & Stamping

Fort Wayne Assembly

Indiana Transmission Plant 1 & 2

Kokomo Transmission & Castings/Kokomo Delphi GM

Shreveport Stamping & Assembly

Detroit Three Manufacturing Plants

Continued (List)

- Detroit Three in Michigan

Dearborn Truck (Rouge) Assembly
Dearborn Engine and Fuel Tank
Dearborn Engine
Dearborn Diversified
Dearborn Stamping
Dearborn Tool and Die
Detroit-Hamtramck Assembly
Conner Avenue Assembly
Jefferson North Assembly
Conner Avenue Engine
Mack Avenue I & II Engine
GEMA Dundee Engine
Flint Components
Trenton Engine
Livonia Engine
Center Line Packaging
Lynch Road Terminal Support
Marysville Axle
Marysville Coating




Auto Alliance Assembly
Flint Truck Assembly
Flint #2 (Flint South) Engine
Orion Assembly
Lansing Delta Township Assembly
Lansing Grand River Assembly
Livonia Transmission
Romeo Engine
Romulus Engine
Detroit Axle
Mt. Elliot Tool & Die
Rawsonville Stamping
Sterling Axle Plant
Woodhaven Forging
Bay City GMPT
Saginaw Metal Casting
Flint Metal Center and Flint
Tool and Die
Grand Blanc Weld Tool Center
Pontiac Metal Center
Wayne Stamping Plant

Sterling Heights Assembly
Van Dyke (Sterling Heights)-
Transmission
New Trenton Engine (2010)
Warren Truck Assembly
Warren Transmission
Michigan Truck/Michigan Assembly
Wixom Engine (Performance Build Center)
Ypsilanti (Willow Run) Transmission
Pontiac Pre-Production Op. Other
Troy Die Design
Sterling Stamping
Warren Stamping
Woodhaven Stamping
Lansing Regional Stamping
Flint GM Delphi
Grand Rapids GM Delphi
Saginaw GM Delphi
Brownstown Battery Pack Assembly

Five Big Changes in the 2007 Contract and many small ones . . .




- Retiree Health Liability Was Retired in 2010.
- 2nd Tier Wages/Benefits for new workers who do work that suppliers can do . . .
- Retiree Health Benefits eliminated for all future hires
- Defined Pension eliminated for all future hires
- Eventually, all plants will have competitive operating agreements with union locals

UAW 2007 Contract Economics

			
New Agreement Base Wages	\$28.12	\$28.05	\$28.13
	4 zeros on the base		
2nd Tier	\$14.00-\$16.23/hour	\$14.00-\$16.23/hour	\$14.20-\$15.34/hour
	Annual raises		
	Up to 22,855 non-core (~31%)	Up to 13,405 non-core (~27.4%)	20% of workforce
	Current workers are "red circled"		
COLA	\$0.05 Beginning Float	\$1.06 Beginning Float	\$0.10 Beginning Float
	\$0.68	\$0.00	\$0.66
Lump Sums	\$3K 2007, 3%-4%-3%		
	\$10,059	\$10,235	\$10,067
Total Economic Gains	\$13,056	\$10,235	\$12,904

Source: UAW Contract Summaries, CAR Research

UAW 2007 Contract Benefit Changes

			
Traditional Active Health	Choice of plans, higher co-pays & deductibles		
2nd Tier Active Health	\$300/\$600 deductibles covered by a \$300/\$600 HSA		
	\$1,000/\$2,000 out-of-pocket cap		
Traditional Retiree Health	\$31.8B VEBA PLUS Pension Pass Through	\$8.8B VEBA PLUS Pension Pass Through	\$13.2B VEBA (5% inflation)
	VEBA operational in 2010		
2nd Tier Retiree Health	\$1/hour for every hour worked into 401(k)		
Traditional Pension	Basic pension rate increased		
	\$700/year lump sums		
2nd Tier Pension	6.4% wages in cash balance defined benefit retirement plan – 3 year vesting		

Source: UAW Contract Summaries, CAR Research

UAW-GM 2009 Contract Modifications to 2007 Agreement

1. Active Workers' Pay and Benefits

- Reduced overtime
- COLA suspended
- Performance bonus suspended
- Reduced Easter Holiday by one day
- Must take vacation for Independence week shutdown
- No payment for unused vacation
- No promotions of entry-level new hires
- Employee placement rules expanded
- Job security program suspended
- SUB modified (12 mo. at 70% cost)
- Transition Support Program (TSP) established (12 mo. at 50% cost)
- Reduction in skilled trades classifications (3 main classifications)
- New Special Attrition Program offered
- Binding Arbitration for unresolved issues after 2011 negotiations (no strike clause)

“For our active members these tentative changes mean no loss in your base hourly pay, no reduction in your health care, and no reduction in pensions.”

In Solidarity,

-Ron Gettlefinger
President

UAW-GM 2009 Contract Modifications to 2007 Agreement:

2. Locations

- GM assumes ownership of 5 Delphi plants
 - Saginaw
 - Grand Rapids
 - Lockport, NY
 - Rochester, NY
 - Kokomo, IN
- 14 Plant Closures
Of these...
 - 1 assembly and 1 stamping to be converted to small car 100% COA (Orion, Pontiac Metal)
 - 2 assembly and 1 stamping to be on “stand by” or “warm idle” (Spring Hill, Janesville)
 - 10 REAL closures
- GM will not add shifts
 - At Silao before adding shifts at Flint and Ft. Wayne,
 - At Ramos Arizpe before Lansing Delta and Lordstown
- New Flint Engine
 - Commitment to re-evaluate feasibility of new Flint engine plant if market and corporate financial position improves
- Flint Child Development Program
 - Operations suspended

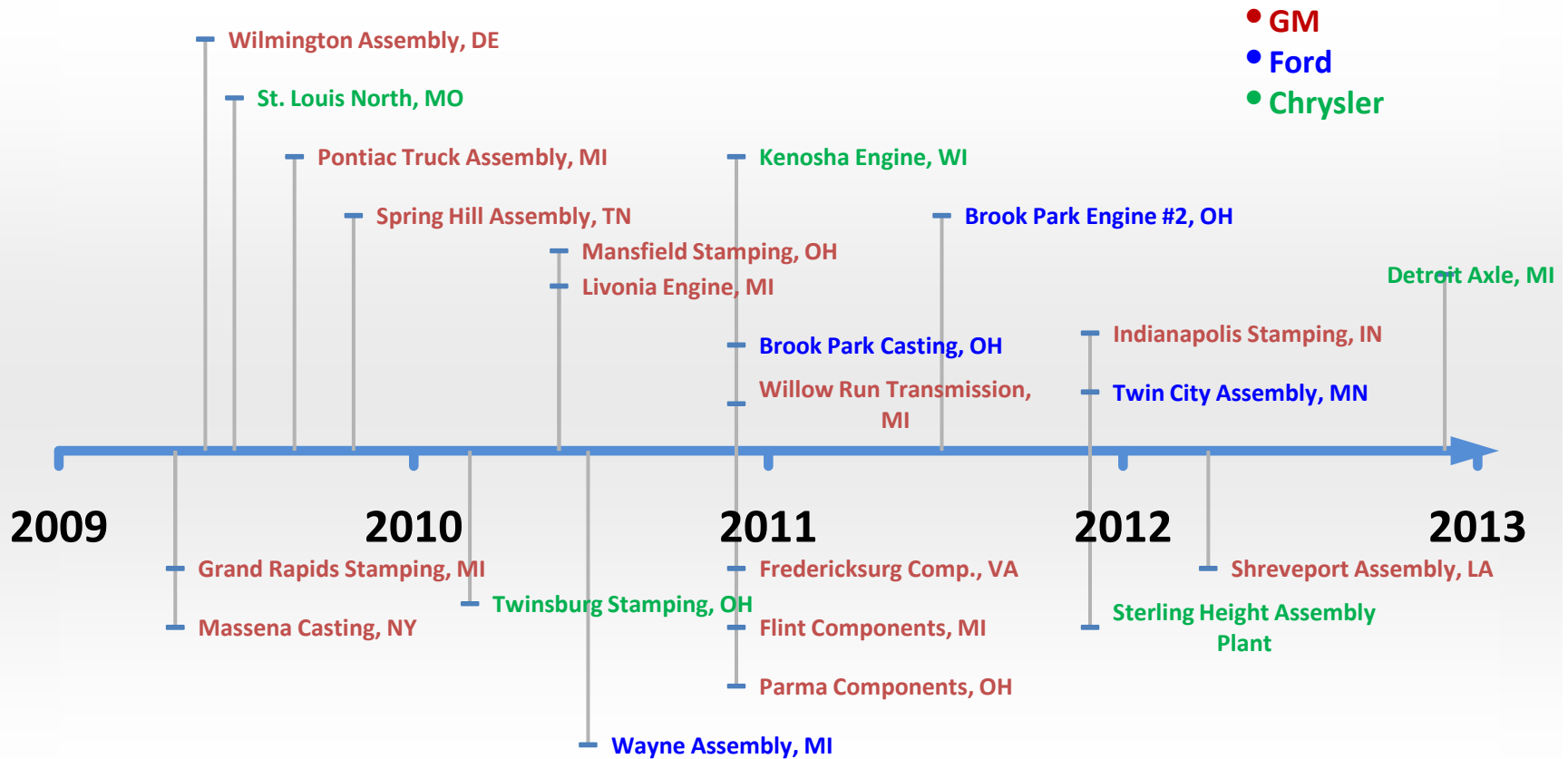
UAW-GM 2009 Contract Modifications to 2007 Agreement

3. Retiree Compensation

- VEBA funded by:
 - Assets of existing VEBA (\$10B)
 - \$2.5B note (\$1.384B payable in 2013, 2015 and 2017)
 - \$6.5B in Preferred Stock and 9% cash dividend payment structure (\$585M annually)
 - 17.5% of GM Common Stock
 - Warrant for an additional 2.5% of Common Stock of the new company (\$75M equity value)
 - Mitigation VEBA assets (\$700M)
- Increased Co-pays
 - Retail and Mail Order Prescriptions
 - Emergency Room Visits
 - Lose Pension pass-thru
- No longer offer
 - ED and PPI drug coverage (e.g. Viagra, Prilosec)
 - Catastrophic plan
 - Vision
 - Dental
 - Medicare Part B Benefit (\$76.20/month)
 - Coverage for sponsored dependents and principally supported children
- VEBA will manage benefits starting 1/1/10

Some Will Not Close . . .

Detroit 3 U.S. Plant Closures



2009 Agreement VEBA Funding

	GM	Ford	Chrysler																																
Financing	<ul style="list-style-type: none"> Existing VEBA Assets (\$9.4B as of 3/31/09) held and invested New Note \$2.5B VEBA equity stake = 17.5% of common stock plus one GM BoD member Perpetual Preference Equity = \$6.5B with 9% annual dividend, payable quarterly in cash Warrants for 2.5% equity stake at a strike price of \$75B, expire 12/31/15 	<ul style="list-style-type: none"> Note A – must be settled in cash Note B – may settle any/all with shares of common stock (assuming stock has value, company is a going concern, and US defined benefit pension plans have not been terminated) Warrant for 362,391,305 shares at a strike price equal to conversion price under existing convertible note Deferred payments can be made in up to 5 equal installments at 9% interest 	<ul style="list-style-type: none"> Existing VEBA Assets (\$1.5B as of 3/31/09) held and invested New Note \$4.6B VEBA equity stake = 55% of shares plus one Chrysler BoD member 																																
Schedule	<p>\$20B obligation before concession</p> <p>12/31/09 \$585M</p> <p>New Note</p> <p>7/15/13 \$1.384B</p> <p>7/15/15 \$1.384B</p> <p>7/15/17 \$1.384B</p>	<p>\$13.2 B over next decade</p> <table> <thead> <tr> <th></th> <th>Note A</th> <th>Note B</th> </tr> </thead> <tbody> <tr> <td>12/31/09</td> <td>\$1.3B</td> <td>\$610M</td> </tr> <tr> <td>6/30/10</td> <td>\$265M</td> <td>\$610M</td> </tr> <tr> <td>6/30/11</td> <td>\$265M</td> <td>\$610M</td> </tr> <tr> <td>6/30/12-6/30/18 (per year)</td> <td>\$679M</td> <td>\$654M</td> </tr> <tr> <td>6/30/19-6/30/22 (per year)</td> <td>\$ 26M</td> <td>\$ 26M</td> </tr> </tbody> </table>		Note A	Note B	12/31/09	\$1.3B	\$610M	6/30/10	\$265M	\$610M	6/30/11	\$265M	\$610M	6/30/12-6/30/18 (per year)	\$679M	\$654M	6/30/19-6/30/22 (per year)	\$ 26M	\$ 26M	<p>New Note</p> <table> <tbody> <tr> <td>7/15/10</td> <td>\$315M</td> </tr> <tr> <td>7/15/11</td> <td>\$300M</td> </tr> <tr> <td>7/15/12</td> <td>\$400M</td> </tr> <tr> <td>7/15/13</td> <td>\$600M</td> </tr> <tr> <td>7/15/14-7/15/17</td> <td>\$650M</td> </tr> <tr> <td>7/15/18-7/15/22</td> <td>\$823.8M</td> </tr> <tr> <td>7/15/23</td> <td>\$827.1M</td> </tr> </tbody> </table>	7/15/10	\$315M	7/15/11	\$300M	7/15/12	\$400M	7/15/13	\$600M	7/15/14-7/15/17	\$650M	7/15/18-7/15/22	\$823.8M	7/15/23	\$827.1M
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Retirees & Surviving Spouses	<p>339,000 ('07)</p> <p>413,400 ('10, all hourly)</p>	<p>123,000 ('07)</p>	<p>78,400 ('07)</p>																																

Work Plans vs. The Contract!

Labor Cost	0,+,- Relative Effect on D3 labor cost vs. Internationals	Note	Cost per Hour
COLA	0	No COLA now for D3.	\$0
Breaks	+	20 minutes extra a day for D3	\$1.88
Shift Premiums	0	Same	\$0
Holiday	+	15 for Intl. vs. 18 days for D3	\$.72
Vacation	+	20 hours more for 20+ years for D3 – ½ of D3 over 20	\$.29
Bonus	-	Performance/Attendance /Profit sharing/Fixed semi-annual for Intl.	-\$1.44 in '09, Much more later
Lump Sums	0	None paid now for D3.	\$0 thru '11
Team Leader Premium	-	Internationals pay more	-\$0.40
Unemployment Pay	+	Internationals have Jobs Bank – D3 have SUB, But .	\$2.10

Work Plans vs. The Contract!

Labor Cost	0,+,- Relative Effect on D3 labor cost vs. Internationals	Note	Cost per Hour
Job Security	0	Same	\$0
Pensions	+	Both have defined benefit	?
Savings Plans	-	401k 4% contributions for Intls.	-\$1.35
Heath Care	+		?
Life Insurance	-	Intls. offer more	-\$0.10
Disability	0	Same benefits	\$0
Joint Programs	0	Same benefits	\$0
Representation	+	23 reps at Chrysler, 31 reps at GM/per 1,200 Workers	\$.28
Overtime limits	0	Same	\$0
Attendance	0	Same	\$0
Product purchase	0	Same	\$0

Estimated GM-UAW/Toyota All In per Hour Labor Costs 2010

	<u>1. 1st Tier Production</u>	<u>2. 1st Tier Skilled Trades</u>	<u>3. Toyota- TMMK Production**</u>	<u>4. Toyota TMMK Skilled Trades**</u>
Wages	\$29	\$33	\$28	\$30
Premiums	1	2	3	4
PTO	<u>6</u>	<u>6</u>	<u>5</u>	<u>5</u>
Total Wages	\$36	\$41	\$32	\$39
Active Benefits*	15	15	11	11
FICA etc.	4	4	4	5
Legacy	<u>2</u>	<u>2</u>	<u>0</u>	<u>0</u>
Total	\$57	\$62	\$47	\$55
Other Bonus	<u>0</u>	<u>0</u>	<u>4</u>	<u>4</u>
Average Hourly Labor Costs	\$57	\$62	\$51	\$59
Employment Fraction	<u>x .77</u>	<u>x .23</u>	<u>x .87</u>	<u>x .13</u>
Wage Components	\$43.89	\$14.26	\$44.37	\$7.67
Sum of Labor Cost Components	\$58.15		X 1.08	
			\$56.16	

*Pension, Insurance, Active Health

**Toyota costs are for 4/07, recommend that total be increased by 8%.

Target GM-UAW Plan

All in Labor Costs

	1. 1 st Tier Traditional Production	2. 1 st Tier Traditional Skilled	3. 2 nd Tier New Entry
Wages	\$29	\$33	\$15
Premiums	1	2	1
PTO	<u>6</u>	<u>6</u>	<u>1</u>
<i>Total Wages</i>	\$36	\$41	\$17
Active Benefits	15*	15*	12**
FICA etc.	4	4	2
Legacy	<u>2</u>	<u>2</u>	<u>1</u>
Total	\$57	\$62	\$32
Bonus	<u>0</u>	<u>0</u>	<u>1</u>
Average Hourly Labor Costs	\$57	\$62	\$33
Employment Fraction	<u>x .66</u>	<u>x .14</u>	<u>x .20</u>
Wage Components	\$37.62	\$8.68	\$1.98
Sum of Labor Cost Components	\$48.28		

**Pension, Insurance, Active Health,*

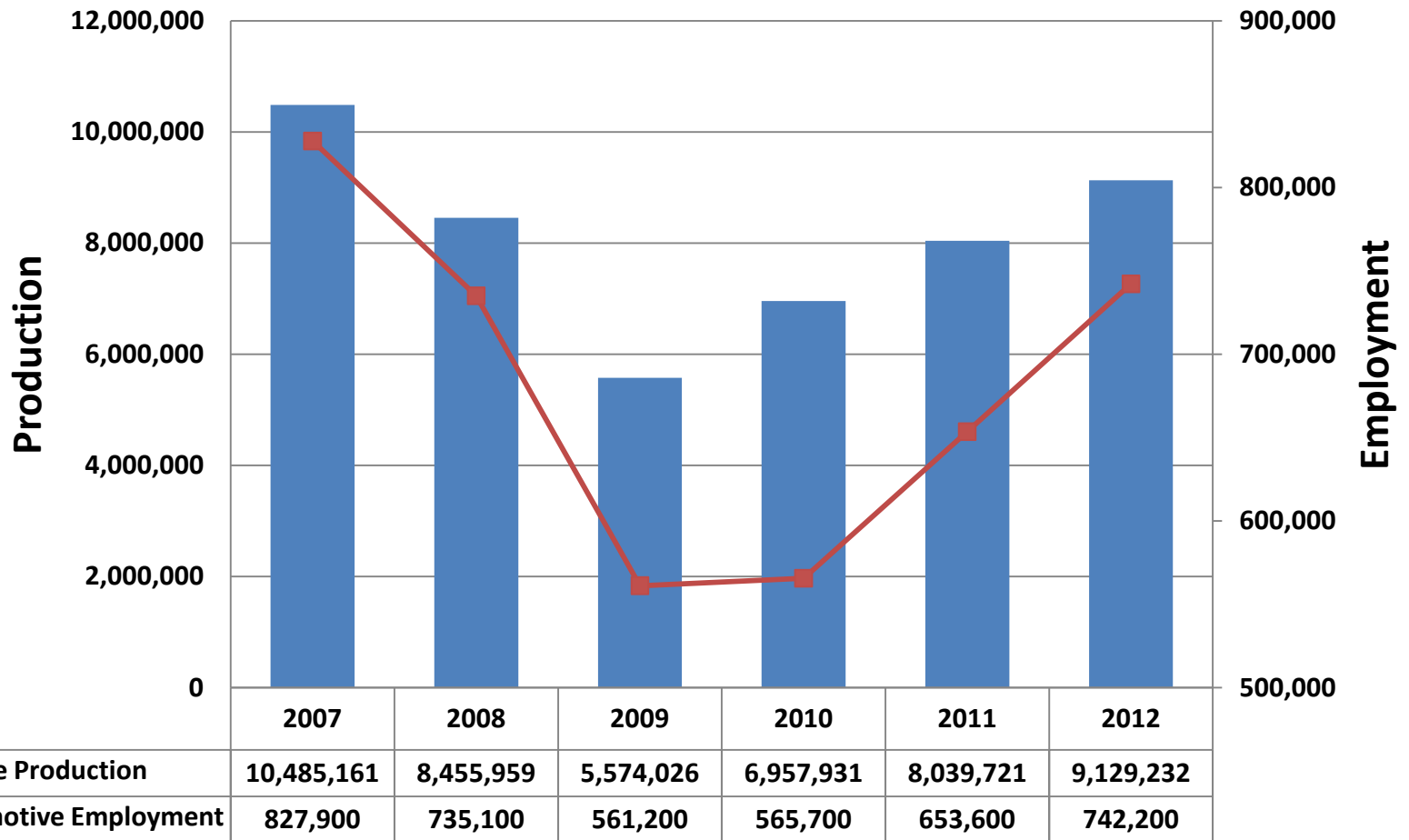
***401K, cash contribution to retiree health, Insurance, Active Health*

Remaining Problems for D3 Labor Costs

- 25% of Detroit 3 hourly labor is skilled trades vs. 13% for the highest transplant and 5% for the rest. Detroit 3 skill-trades labor is at a very low utilization level. Internationals use vendors for deep maintenance/repair jobs. Yet vendor labor can be very expensive at loaded rates. Cross department/trades flexibility can also be unsafe and internationals aren't as flexible as many think.
- Detroit 3 have many, many layoffs still and though the Jobs Bank is gone, these workers and many possible transfers from spin-offs with recall rights could indefinitely delay the hiring of large numbers of 2nd tier workers.
- And the next contract negotiation could start the cost spiral again . . .

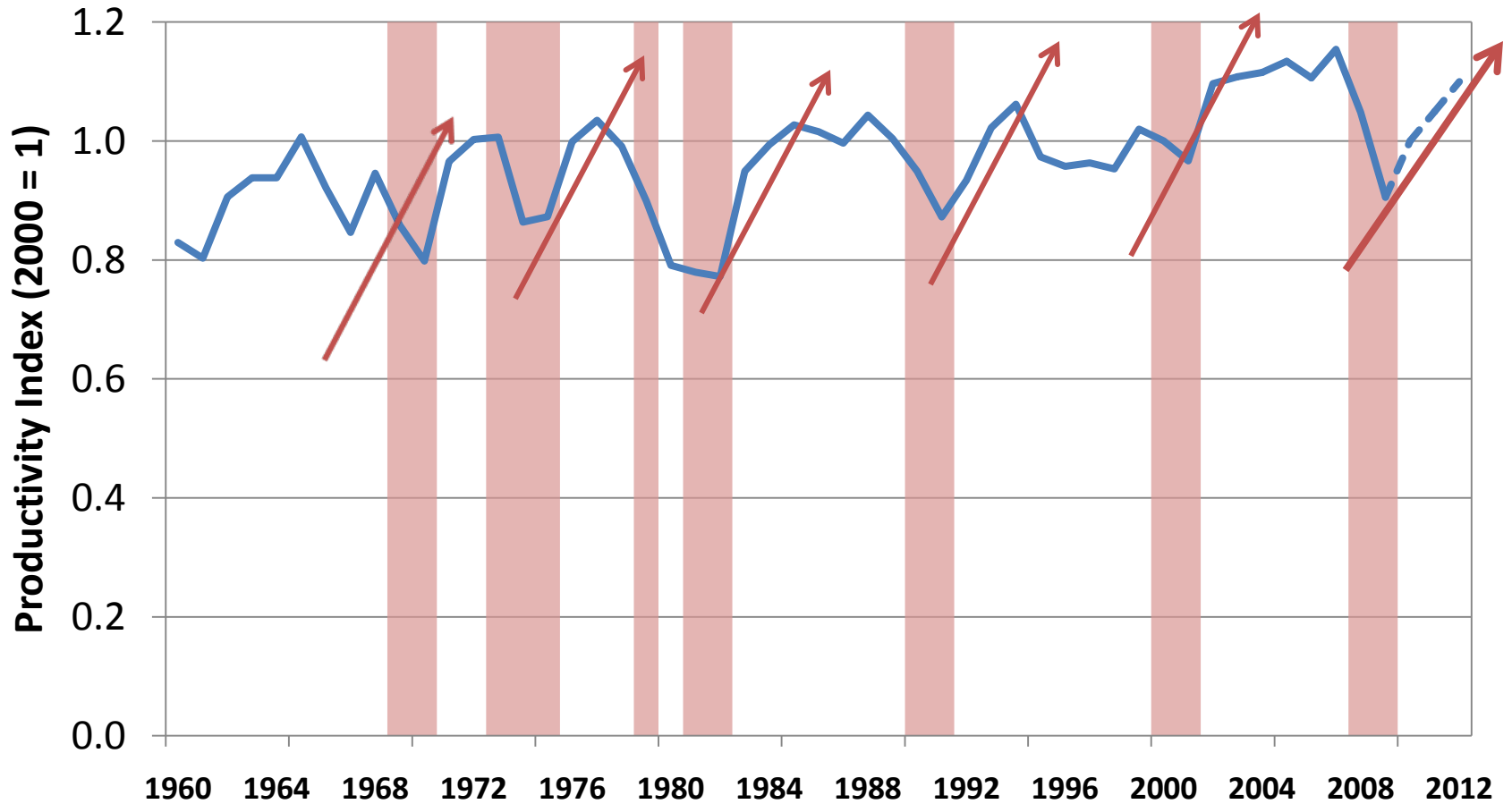
But It Will Recover

U.S. Vehicle Production & Automotive Employment Forecasts



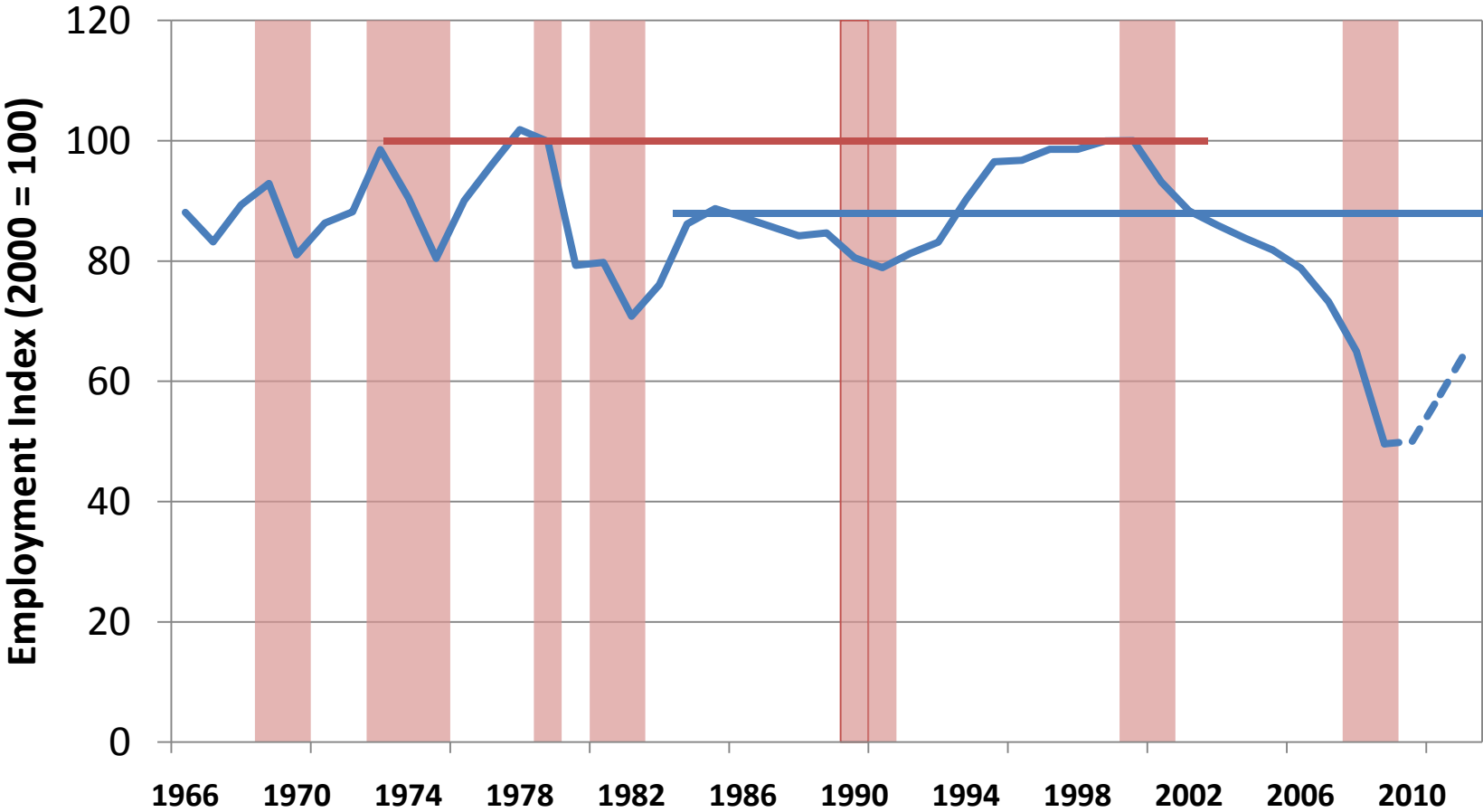
Source: IHS Global Insight; CAR Research

Recessions and U.S. Automotive Productivity



Automotive Productivity Index consists of SIC 3711/3714 and NAICS 3361/3363. 2000 is the base year.
Source: BLS, USDOL

Recessions and U.S. Automotive Employment



Automotive Employment Index consists of SIC 3711/3714 and NAICS 3361/3363. 2000 is the base year.
Source: BLS, USDOL

Summary

- Employment will grow slowly until production rises and productivity growth levels off.
- 2011 contract negotiations will re-install some wage and lump sum growth- but internationals will also increase wages and certainly bonuses by then.
- All new hires at Detroit 3 will be at 2nd tier with lower wages, no retiree health and no defined benefit pension. May reach 20% of labor force?
- Detroit 3 will achieve labor cost superiority by 2013 ---- 2015.